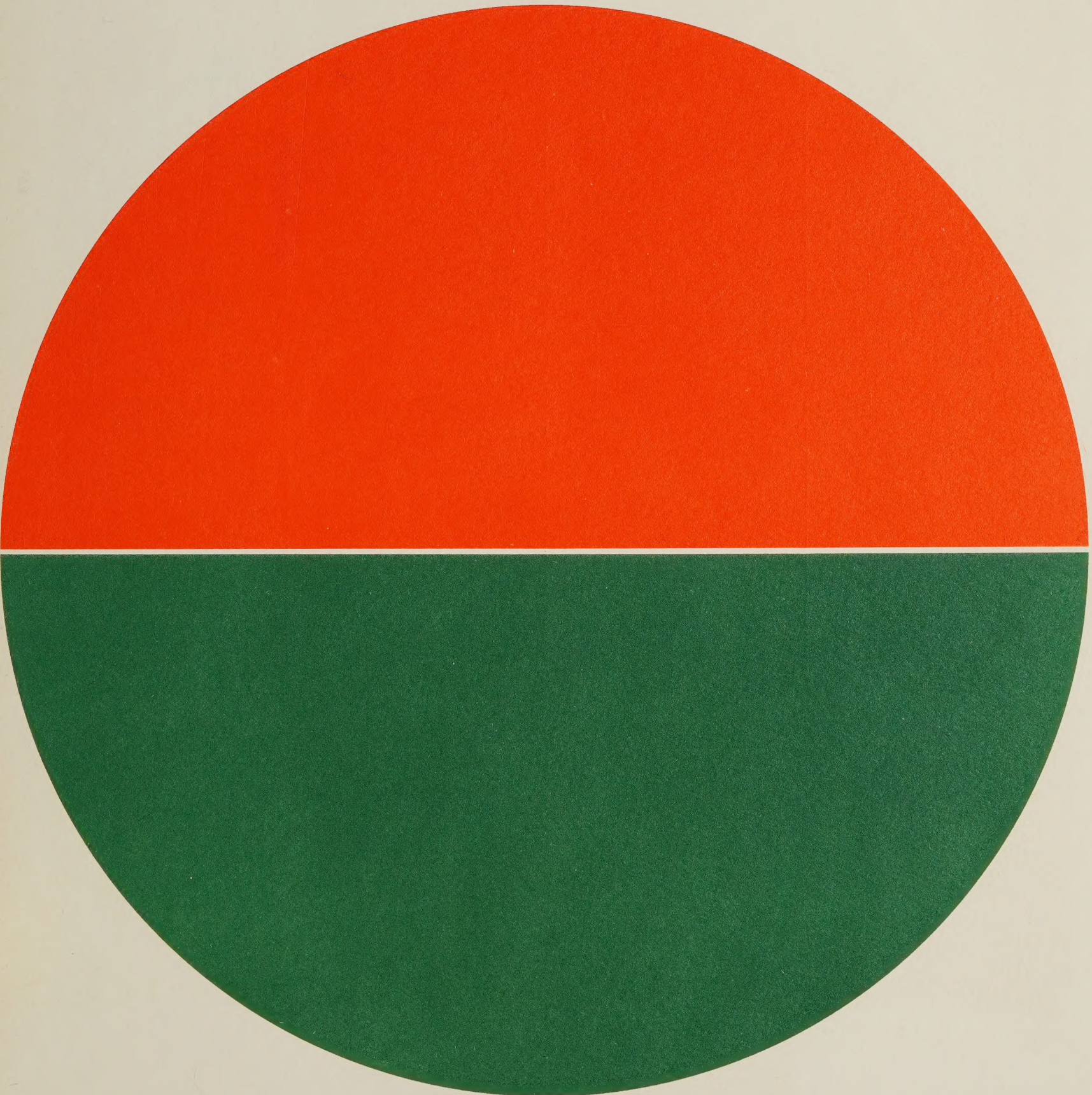
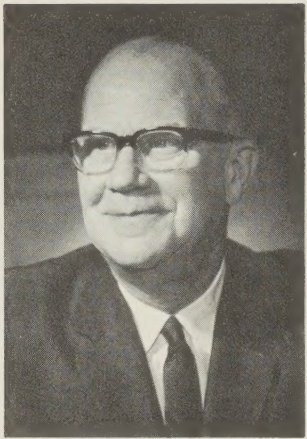


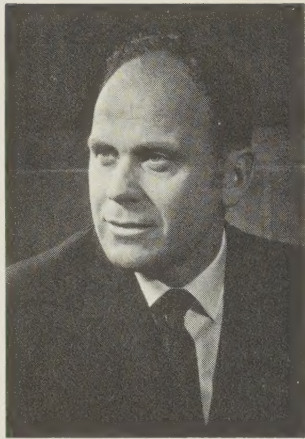
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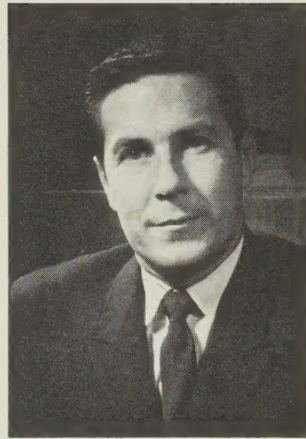




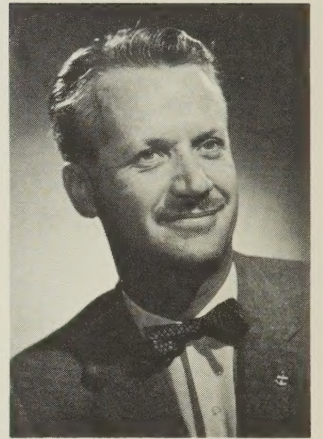
C. L. KALTHOFF
President



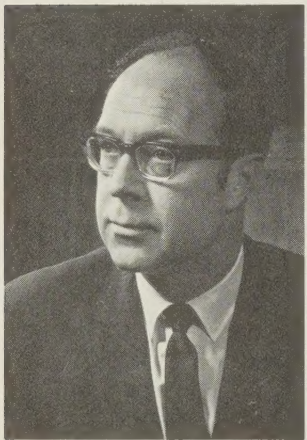
D. L. ADAM
Vice-President and
Technical Director



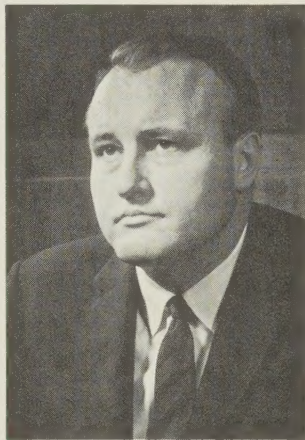
A. R. BENNETT
Vice-President
Sales



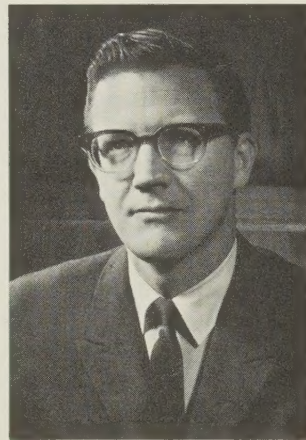
H. H. FRAZER
Vice-President
Eastern Division



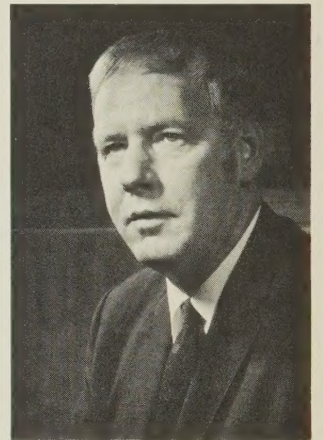
M. A. ROPER
District
Sales Manager



R. L. S. SNELL, B.Comm., C.A.
Secretary-Treasurer



R. H. DAMERON
Production Manager



R. H. SANDERS, B.Sc.
Director of Purchasing

INDUSTRIAL ADHESIVES LIMITED

90 TYCOS DRIVE, TORONTO 19, ONTARIO

DIRECTORS

D. L. Adam, A. R. Bennett, R. W. Finlayson, C. L. Kalthoff,
C. P. Keeley, E. A. Radford, H. Sutherland.

OFFICERS

Chairman of the Board - - - - - E. A. Radford

President - - - - - C. L. Kalthoff

Vice-President and Technical Director - - D. L. Adam

Vice-President, Sales - - - - - A. R. Bennett

Vice-President, Eastern Division - - - - H. H. Frazer

Secretary-Treasurer - - - - - R. L. S. Snell

TRANSFER AGENTS AND REGISTRARS

National Trust Company, Limited
Toronto, Montreal

SOLICITORS

Fraser & Beatty

BANKERS

The Toronto-Dominion Bank, Toronto

AUDITORS

Dunwoody & Company

REPORT TO THE SHAREHOLDERS

We are pleased to submit our Annual Report for the fiscal year ended October 31, 1968.

Financial:

In all respects the 1968 period has been one of growth and progress for your Company. Sales showed an 11.7% increase over the 1967 period and resulted in consolidated net profits of \$241,285, equivalent to 60¢ per share. This represents an increase of 14.4% over consolidated net profits of \$210,950 earned in the 1967 fiscal period which were equivalent to 53¢ per share.

As a result of these improved earnings the Company's working capital was increased to \$564,722 as at October 31, 1968, from \$383,137 as at October 31, 1967 and between the same dates the shareholders' equity increased from \$901,054 to \$1,018,337. As at October 31, 1968, the Company's working capital ratio was 2.36 to 1 compared to 2.01 to 1 as at October 31, 1967.

Dividends:

Regular quarterly dividends of 7¼¢ per share were paid during the year and amounted in the aggregate to a distribution of \$124,002.

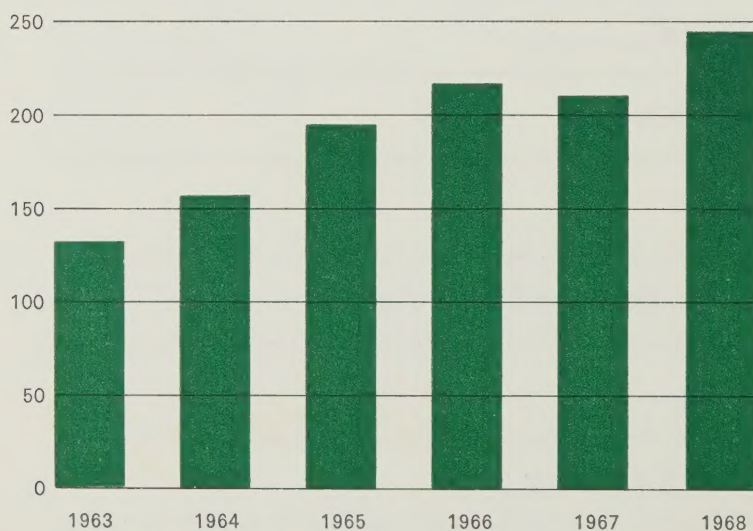
In recognition of the Company's improved earnings, the Board of Directors has authorized an increase in the quarterly dividend rate from 7¼¢ to 10¢ per share, a 29% increase. The first quarterly dividend at the new rate will be payable on January 31, 1969 to shareholders of record on January 3, 1969.

Exports:

During the year under review, the Company has continued its penetration of the export market. Our sales personnel have intensified their efforts to enlarge this market for our Company's products. Sales in the past have been made to 16 countries in Europe, the United Kingdom, Africa, the Caribbean, South America, Central America and the United States.

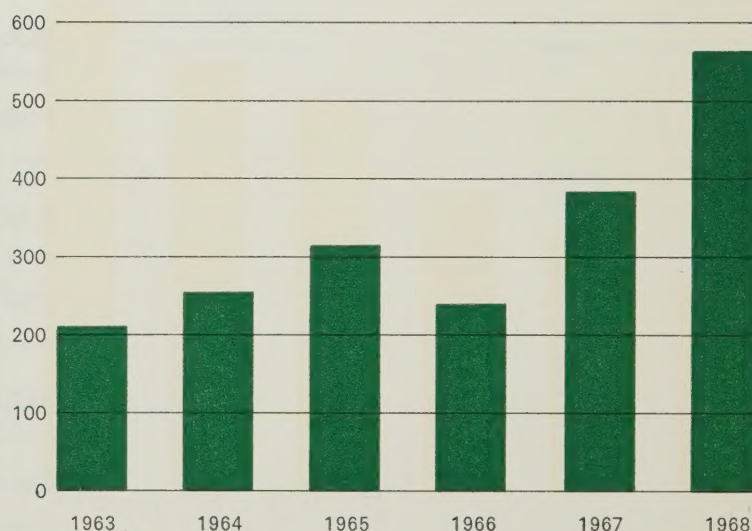
PROFIT

in thousands of dollars



WORKING CAPITAL

in thousands of dollars



New Products:

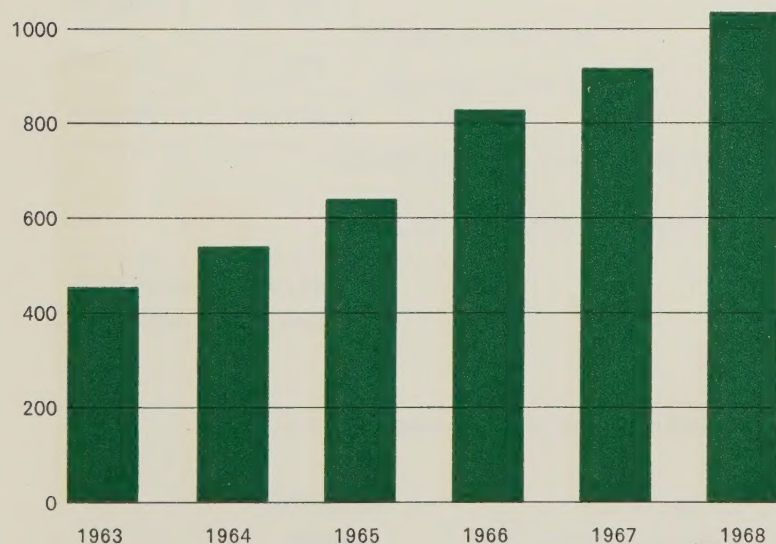
During the year the Company also introduced many new compounded products to new market places for varying end uses. These were formulated basically of Butadiene-acrylonitrile, Vinyl acetate-ethylene copolymers, epoxies, Polyamides and Polyesters and their initial reception indicates that they will contribute significantly to the Company's future sales volume. Credit for the development of these new products is due to the technicians of your Company's laboratory staff who are constantly striving to improve established products and create new ones to meet the varied and exacting demands of our customers and for opening new outlets.

Acquisitions:

Your Company continues to aggressively seek out possibilities for acquisition to enable it to expand and diversify into related fields where its experience and trained personnel can be employed to greater advantage

SHAREHOLDERS' EQUITY

in thousands of dollars



for all concerned. During the past year several prospects were investigated and considered but were judged not to be sufficiently attractive to warrant making any offer.

Since acquisitions are a major way of facilitating the Company's growth at an accelerated rate, your Directors will remain active in exploring all promising possibilities for acquisitions that come to their attention.

Outlook:

We look ahead to another year of growth for your Company. As an indication of this, our present fiscal year sales are showing an increase of 15.6% ahead of that for the corresponding period in the year recently ended. While costs of raw materials, wages and other items of production remain high and competitive pressure on the prices for our products is strong, we are confident that our superiority in all phases of operations will carry the Company through to new records in sales and earnings.

Personnel:

The progress of your Company is a reflection of the loyalty and untiring efforts of all our employees. We take this opportunity to express our warm appreciation of the contribution they are making to the success of your Company.

We are also grateful for the continued support of our shareholders, many of whom are employees, and the goodwill of our customers who have expressed their confidence in your Company through the continued use of its products.

On behalf of the Board

President

CONSOLIDATED BALANCE SHEET as at 31st October 1968

(with comparative figures as at 31st October 1967)

ASSETS	CURRENT	1968	1967
	Cash and Short Term Bank Deposits - - - - -	\$ 171,451	\$ 45,794
	Accounts Receivable - - - - -	472,208	378,924
	Inventories, at lower of cost and net realizable value:		
	Raw Materials - - - - -	\$ 179,091	\$ 173,680
	Finished Goods - - - - -	100,283	99,153
	Containers - - - - -	44,555	45,009
		\$ 323,929	\$ 317,842
	Prepaid Expenses - - - - -	12,562	20,004
	TOTAL CURRENT ASSETS - - - - -	\$ 980,150	\$ 762,564
	INVESTMENTS IN MARKETABLE SECURITIES, at cost		
	(Market Value—\$55,339) - - - - -	\$ 61,353	\$ 59,363
	INVESTMENT IN AND ADVANCES TO AN ASSOCIATED COMPANY, at cost		
	Shares - - - - -	\$ —	\$ 100
	Advances - - - - -	—	50,652
		\$ —	\$ 50,752
	SPECIAL REFUNDABLE CORPORATION TAX - - - - -	\$ 5,863	\$ 8,137
	FIXED		
	Land, Buildings, Plant and Equipment, at cost - - - - -	\$ 766,109	\$ 769,113
	Less: Accumulated Depreciation - - - - -	356,177	333,420
		\$ 409,932	\$ 435,693
	OTHER		
	Formulae - - - - -	\$ 1	\$ 1
		\$1,457,299	\$1,316,510

Approved on behalf of the Board of Directors.

C. L. KALTHOFF
DirectorA. R. BENNETT
Director

INDUSTRIAL ADHESIVES LIMITED

and its wholly-owned subsidiary

LIABILITIES AND SHAREHOLDERS' EQUITY	CURRENT	1968	1967
	Accounts Payable and Accrued Liabilities - - - - -	\$ 183,284	\$ 212,048
	Corporation Income, Sales and Other Taxes - - - - -	135,080	70,083
	Liability for Containers in Customers' Hands - - - - -	85,669	87,210
	Mortgage Payments due within one year - - - - -	11,395	10,086
	TOTAL CURRENT LIABILITIES - - - - -	\$ 415,428	\$ 379,427
	DEFERRED INCOME TAXES - - - - -	\$ 23,534	\$ 24,634
	MORTGAGE PAYABLE—6%, payable monthly, due 1st October 1969 - - - -	\$ 11,395	\$ 21,481
	Less: Current Portion - - - - -	11,395	10,086
		\$ —	\$ 11,395
	TOTAL LIABILITIES - - - - -	\$ 438,962	\$ 415,456
SHAREHOLDERS' EQUITY			
CAPITAL			
Authorized:			
200,000 5% Non-cumulative Preference Shares of Par Value \$1.00			
each, Redeemable at \$1.20 - - - - - \$200,000			
1,000,000 Common Shares of No Par Value, aggregate consideration			
not to exceed \$1,000,000			
Issued and Fully Paid:			
	400,000 Common Shares - - - - -	\$ 144,311	\$ 144,311
	CONSOLIDATED EARNED SURPLUS - - - - -	874,026	756,743
	TOTAL SHAREHOLDERS' EQUITY - - - - -	\$1,018,337	\$ 901,054
		\$1,457,299	\$1,316,510

The accompanying notes form an integral part of the Consolidated Financial Statements

**CONSOLIDATED
STATEMENT OF
PROFIT AND LOSS**

for year ended
31st October 1968
(with comparative figures
for year ended
31st October 1967)

	1968	1967
PROFIT FOR YEAR, before accounting for the under-noted items - - - - -	\$643,017	\$571,527
Add: Income from Investments - - - - -	\$ 5,005	\$ 3,287
Profit on Disposal of Investments - - - - -	—	315
	\$ 5,005	\$ 3,602
	\$648,022	\$575,129
Less: Depreciation - - - - -	\$ 39,388	\$ 43,690
Mortgage Interest - - - - -	1,002	1,580
Remuneration of Directors and of Officers who are Directors - - - - -	123,622	128,209
	\$164,012	\$173,479
PROFIT FOR YEAR, before Provision for Corporation Income Taxes - - - - -	\$484,010	\$401,650
PROVISION FOR CORPORATION INCOME TAXES - - - - -	242,725	190,700
CONSOLIDATED NET PROFIT FOR YEAR - - - - -	\$241,285	\$210,950

**NOTES TO
CONSOLIDATED
FINANCIAL
STATEMENTS**

as at 31st October 1968

1. GROSS OPERATING REVENUE

Gross operating revenue for the year ended 31st October 1968 increased by 11.74% as compared with that for the year ended 31st October 1967.

2. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company and its subsidiary to the directors and senior officers amounted to \$171,602 for the year ended 31st October 1968 and \$174,629 for the year ended 31st October 1967.

**CONSOLIDATED
STATEMENT OF
EARNED SURPLUS**

for year ended
31st October 1968
(with comparative figures
for year ended
31st October 1967)

	1968	1967
BALANCE AT BEGINNING OF YEAR - - - - -	\$756,743	\$669,793
Consolidated Net Profit for Year - - - - -	241,285	210,950
	\$998,028	\$880,743
Dividends - - - - -	124,002	124,000
BALANCE AT END OF YEAR - - - - -	\$874,026	\$756,743

**CONSOLIDATED
STATEMENT
OF SOURCE AND
APPLICATION
OF FUNDS**

for year ended
31st October 1968
(with comparative figures
for year ended
31st October 1967)

	1968	1967
SOURCE OF FUNDS		
Consolidated Net Profit for Year - - - - -	\$241,285	\$210,950
Add: Depreciation, a non-cash outlay - - - - -	39,388	43,690
	<u>\$280,673</u>	<u>\$254,640</u>
Less: Profit on Disposal of Investments - - - - -	—	315
FUNDS PROVIDED FROM OPERATIONS - - - - -	\$280,673	\$254,325
Proceeds from Sale of Investments - - - - -	2,500	75,000
Special Refundable Corporation Tax - - - - -	2,274	—
Proceeds on Disposal of Investment and Advances to Associated Company - - -	50,752	—
Reduction of Advances to Associated Company - - - - -	—	12,530
Deferred Income Taxes - - - - -	—	24,634
	<u>\$336,199</u>	<u>\$366,489</u>
TOTAL SOURCE OF FUNDS - - - - -		
APPLICATION OF FUNDS		
Net Additions to Building and Equipment - - - - -	\$ 13,627	\$ 82,368
Purchase of Investments - - - - -	4,490	—
Reduction of Mortgage Payable - - - - -	11,395	10,094
Special Refundable Corporation Tax - - - - -	—	3,649
Dividends - - - - -	124,002	124,000
Deferred Income Taxes - - - - -	1,100	—
	<u>\$154,614</u>	<u>\$220,111</u>
TOTAL APPLICATION OF FUNDS - - - - -	\$154,614	\$220,111
INCREASE IN WORKING CAPITAL - - - - -	\$181,585	\$146,378
Working Capital at beginning of year - - - - -	383,137	236,759
WORKING CAPITAL AT END OF YEAR - - - - -	<u>\$564,722</u>	<u>\$383,137</u>

**AUDITORS'
REPORT**

To the Shareholders of
INDUSTRIAL ADHESIVES LIMITED

We have examined the Consolidated Balance Sheet of INDUSTRIAL ADHESIVES LIMITED as at 31st October 1968 and the Consolidated Statements of Earned Surplus, Profit and Loss and Source and Application of Funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Companies as at 31st October 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, Ontario
3rd December 1968

DUNWOODY & COMPANY
CHARTERED ACCOUNTANTS.

SIX-YEAR COMPARISON

OPERATIONS:

	1968	1967	1966	1965	1964	1963
Profit before depreciation and income taxes - - \$	523,398	\$445,340	\$447,468	\$402,716	\$324,785	\$251,745
Depreciation - - - - -	39,388	43,690	25,264	28,225	32,139	27,271
Income taxes - - - - -	242,725	190,700	207,200	182,300	139,000	97,413
Profit - - - - -	241,285	210,950	215,004	192,191	153,646	127,061
Profit per share - - - - -	60¢	53¢	54¢	51¢	41¢	34¢
*Shares outstanding at year-end - - - - -	400,000	400,000	400,000	375,120	375,120	375,120

*after giving effect to a 2 for 1 sub-division of shares by supplementary letters patent dated October 21, 1965.

FINANCIAL:

Working capital - - - - -	\$ 564,722	\$383,137	\$236,759	\$321,464	\$252,541	\$216,592
Investments in marketable securities (market value)	55,339	49,750	126,713	70,538	49,112	25,375
Net investment in land, building, plant and equipment	409,932	435,693	397,015	252,716	268,612	262,494
Shareholders' equity - - - - -	1,018,337	901,054	814,104	635,370	526,494	456,163
Shareholders' equity per share - - - - -	\$2.55	\$2.25	\$2.04	\$1.69	\$1.40	\$1.22

